

VZCZCXRO0377

PP RUEHBC RUEHDE RUEHIHL RUEHKUK

DE RUEHGB #2231 1771138

ZNY CCCCC ZZH

P 261138Z JUN 06

FM AMEMBASSY BAGHDAD

TO RUEHC/SECSTATE WASHDC PRIORITY 5375

INFO RUCNRAQ/IRAQ COLLECTIVE

RUEKJCS/SECDEF WASHINGTON DC

RHEHAAA/WHITE HOUSE WASHINGTON DC

C O N F I D E N T I A L BAGHDAD 002231

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E.O. 12958: DECL: 06/25/2016

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SUBJECT: JAPANESE PROPOSES MOVING SLOWLY ON IRAQ COMPACT CONFERENCE

Classified By: CHARGE D, AFFAIRES, A.I., DANIEL V. SPECKHARD FOR REASONS 1.4(B) AND (D).

¶11. (C) SUMMARY: On June 22 with, in a meeting with Charge, Japanese Ambassador Yamaguchi expressed concern about "significant gaps" in the U.S. and U.K approach to the International Compact. Yamaguchi acknowledged that the U.S. sees the fall conference as a major event in "sealing" the compact, with implementation to follow, while the Brits prefer to think of the compact as a pronouncement with more front-end work with Iraqis to leverage reform. Yamaguchi questioned whether two months is enough time for the Iraqis to produce a competent program for the conference and for Europeans and Gulf states to be galvanized to contribute. Charge responded that the new Government could not afford to wait nine months to adopt an economic program; we should move ahead quickly. Yamaguchi also reaffirmed that Japanese air support and economic assistance to Iraq would expand after Japanese ground forces withdraw. END SUMMARY.

INTERNATIONAL COMPACT CONFERENCE

¶12. (C) In a June 22 meeting, Japanese Ambassador Hisao Yamaguchi told Charge that it is good that Iraqis were taking the initiative on the International Compact Conference by sending out preparatory letters. Charge said it is likely Japan will receive a request to send a representative from Tokyo to attend the Conference's Steering Committee.

¶13. (C) Yamaguchi suggested that we need to ensure the U.S. and UK speak with one voice before moving forward. Yamaguchi said that he understands that the U.S. sees the fall conference as the major event to "seal" the compact, with only implementation to follow, whereas the UK sees it merely as launching the process, with the compact to be finalized in April 2007. PM Maliki is moving on the economic front as demanded by Iraqis, and the international community needs to support him in this effort, Charge responded. Yamaguchi pressed whether the U.S. thinks the Iraqis could produce a competent paper for the conference within two months, which he said may not be enough time to galvanize the Germans, French, and richer Arab countries to contribute. Charge responded that the Iraqis could, with help.

¶14. (C) Yamaguchi cautioned against limiting or predetermining Steering Committee membership to the U.S., UK, Japan, Arab Gulf states, and the EU. Perhaps the EU could represent all the major EU countries, Yamaguchi proposed. Charge responded that the Steering Committee needs to focus on the main players and be small enough to be effective.

JAPANESE ASSISTANCE TO IRAQ

¶ 15. (SBU) Yamaguchi reaffirmed that Japanese air support and economic assistance to Iraq would expand after the Japanese Ground Self Defense Force (GSDF) withdraws. According to Yamaguchi, the GOJ characterized the change as "mission completed" rather than as a withdrawal. To date, Yamaguchi explained, the GOJ has disbursed \$1.5 billion in grants. It would now move to phase two: \$3 billion in loans, of which \$700 million has been allocated for four projects.

¶ 16. (SBU) The GOJ would keep five military personnel at Camp Victory to manage air support, Yamaguchi added. He then introduced Takahiro Nakamae, a minister-counselor who would represent Japan on assistance and serve as liaison to IRMO. Nakamae will be dual-hatted as Japan's representative to the U.S. Embassy's National Coordination Team in charge of PRTs. Charge again pressed for Japan to send a SBIC official to Baghdad or a diplomat to join the Baghdad PRT. Nakamae answered that PM Koizumi had directed that Japan's economic assistance should be given "in coordination with" the PRTs. Yamaguchi noted he would report Charge's request to Tokyo.

KHALILZAD